

MINISTRY OF TOURISM, TRADE, COMMERCE, INDUSTRY & NI-VANUATU BUSINESS DEVELOPMENT

INTRODUCTION

In 2013, the Ministry of Cooperatives & In-Vanuatu Business Development was amalgamated with the Ministry of Tourism, Trade, Commerce and Industry & Ni-Vanuatu Business Development. The Ministry's mandate was broadened to reflect these changes.

The Ministry is responsible for implementing two very important priority agendas under the PAA/NSDP namely the: Private sector development & employment creation; and Primary sector development.

Surveys indicate that only 20% of the total visitor arrivals do visit the outer islands of Vanuatu and the rest of the 80% remain in Port Vila. A challenge the Ministry is embarking on a new framework that will ensure that more than 60% of tourism development and benefits will eventually be owned by the indigenous Ni-Vanuatu. The March 13 2015 TC Pam, Bauerfield Airport Runway condition and the subsequent withdrawals of several airlines such as: Air New Zealand, Qantas cancellation of co chair with Air Vanuatu and Pacific Virgin blue have an impact on the sector and are recovering slowly.

Cruise shipping in Vanuatu has seen an increased in arrivals over the last 8 years or so with a healthy annual average increase of more than 10 percent. The number of cruise ships has also increased significantly over time. With the current upgrading of Port Vila & Luganville wharfs, there should be more and bigger cruise vessels coming into Vanuatu, and with Vila wharf, it can accommodate two cruise ships at a given day.

Vanuatu's challenge in terms of trade in goods is Technical Barriers to Trade (TBT). Quality control and the supply side constraints are indicative of these and the Ministry had taken mitigating measures in upgrading the current Food Technology Development Centre (FTDC) to Vanuatu Bureau of Standards (VBS) and diverting more resources to the centre.

With regards to trade in services, the Trade Policy Framework (TPF) had identified the need to better coordinated labor mobility and in particular the New Zealand RSE which has increased significantly by around 14.6% over the last four years and the Australia PSWPS which had started.

The Vanuatu Intellectual Property Office (VanIPO) was set up to implement the Intellectual Property Right (IPR) policy with a view to enforce the trade marks act, the designs act, the patent act and the copyright act. The VanIPO if properly resources can raise much needed revenue for the government.

The ministry had formulated a policy on industrial development with emphasis on:
improving economic diversification and domestic value adding; enhancing linkages and spillovers amongst economic sectors; creating enabling environment for private sector led growth; and improving the scope for increased export of goods.

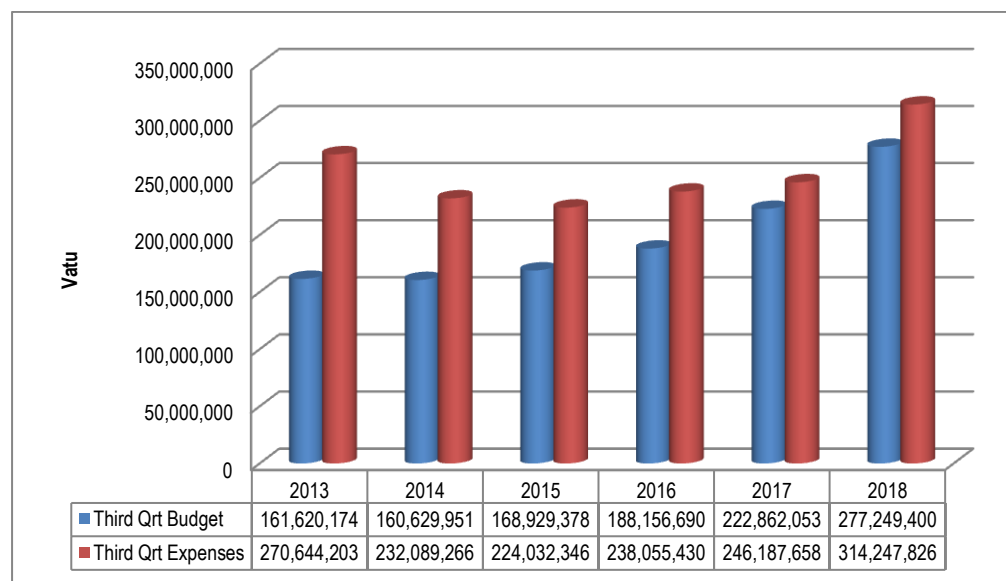
An MTEF was developed in 2014 following Government Retreat that endorsed the principle agreement that 50 percent of **fiscal space** were to be directed to Productive Sector. In 2015 the following NPPs was approved by MBC for the Ministry: Department of Tourism VT20 million, Department of Industry VT15 million, Department of Cooperatives VT6 million, Food Technology VT6.7 million and EXPO VT15 million. For 2016 these further NPPs were also approved by MBC for the Ministry: Department of Tourism VT16 million, Cooperative Department VT5 million, Cabinet VT1.5 million, CSU/Cabinet VT20 million, VanIPO VT10 million, FTC VT2,603,000 and VTO VT70 million. In 2018 a further VT55.5 million was awarded as NPPs by MBC to the Ministry. **The following funding were also provided through 2018 Supplementary Budget: Reinstating child and housing allowance July to December VT12,239,598; Tourism Long Haul Marketing Campaign VT25 million, Hosting of Cooperatives Seminar VT3 million and GRT Top Up VT5,515,672.**

The Ministry has a total of 34 Costs Centers appropriated for in 2018.

SUMARRY OF KEY FINDINGS

As shown in figure 1 below Ministry overspent its third quarter budget in the last six years, and both budget and expenses increased proportionally over the last four years. In 2018 Ministry overspent its third quarter budget again by more than 13.3 percent. Analysis also shows that Ministry by end of third quarter already spent 62.4 percent of overall budget and at this rate of spending Ministry will spend within its overall budget allocation by end of the year.

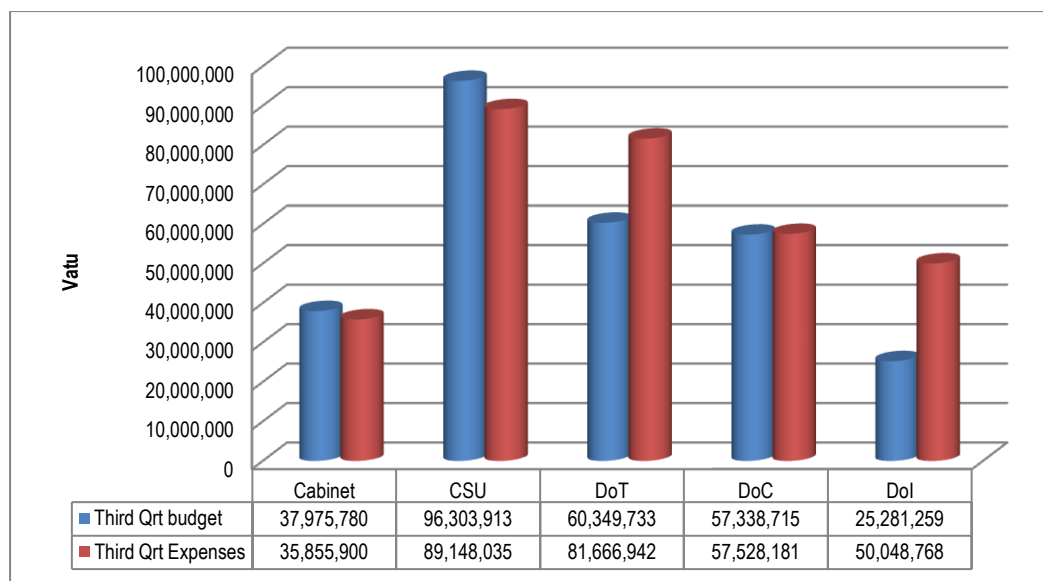
Figure 1: Third Quarter Budget & Expenditure Trends 2013-2018



Source: Finance & Treasury

Figure 2 below indicated that Cabinet and CSU spent within their third quarter budget while Department of Tourism, Cooperatives and Industry overspent their third quarter budget. At the current rate of spending Department of Tourism and Department of Industry will run out of funds if they don't control their expenses in the first and second month of the fourth quarter.

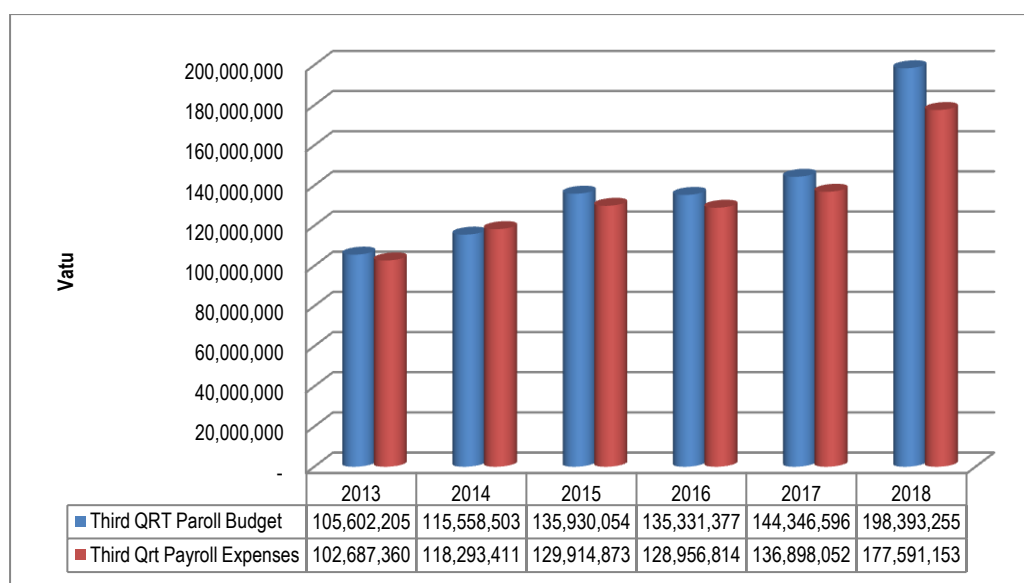
Figure 2: Third Quarter Budget & Expenses by Department 2018



Source: Finance & Treasury

Figure 3 below shows Ministry third quarter personnel budget and expenses over the last year and expenses in the last four years were within third quarter budget. In 2018 Ministry third quarter personnel expenses was 29.7 percent higher than the same period last year 2017 and this is due to the implementation of new GRT salary scales this year 2018. Furthermore, analysis also shows that the Ministry had already spent 64.5 percent of its annual payroll budget in the first nine months of the year. And on a pro rata basis they will spend within their annual payroll budget by end of the year.

Figure 3: Third Quarter Personnel Budget Verses Expenses 2013-2018

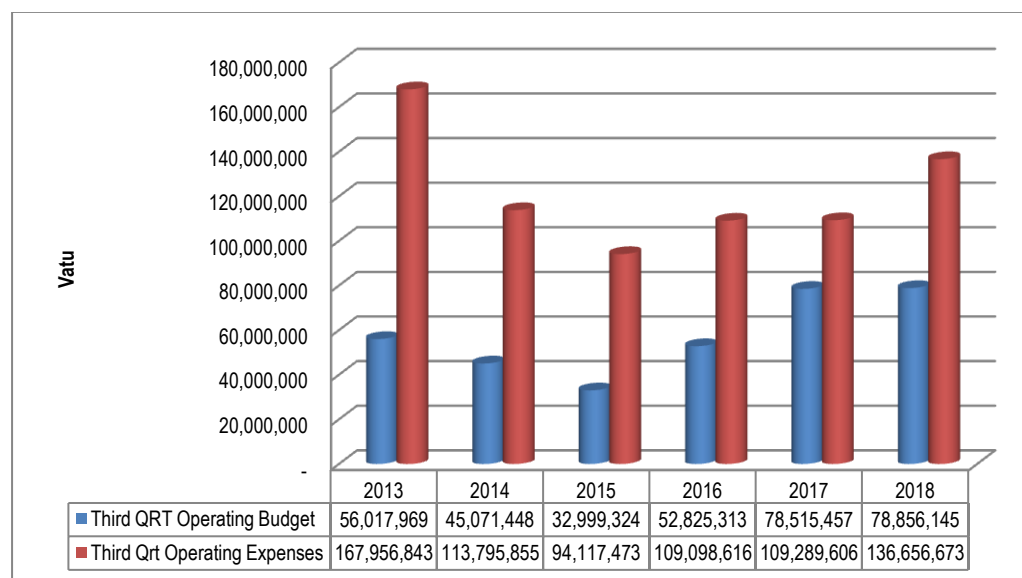


Source: Finance & Treasury

On the other hand third quarter operating expenses were higher then third quarter operating budget in the last 6 years as shown in figure 4 below. In 2018 midyear operating expenses was 73.2 percent higher than the third quarter operating budget. Furthermore, analysis also

indicates that the Ministry had spent 80.9 percent of their annual operational budget in the first nine months of this year, down 11.6 percent compared to the same period last year 2017 and on a pro rata basis they will over spent their annual operational budget by end of the year.

Figure 4: Third Quarter Operating Budget Verses Expenses 2013-2018



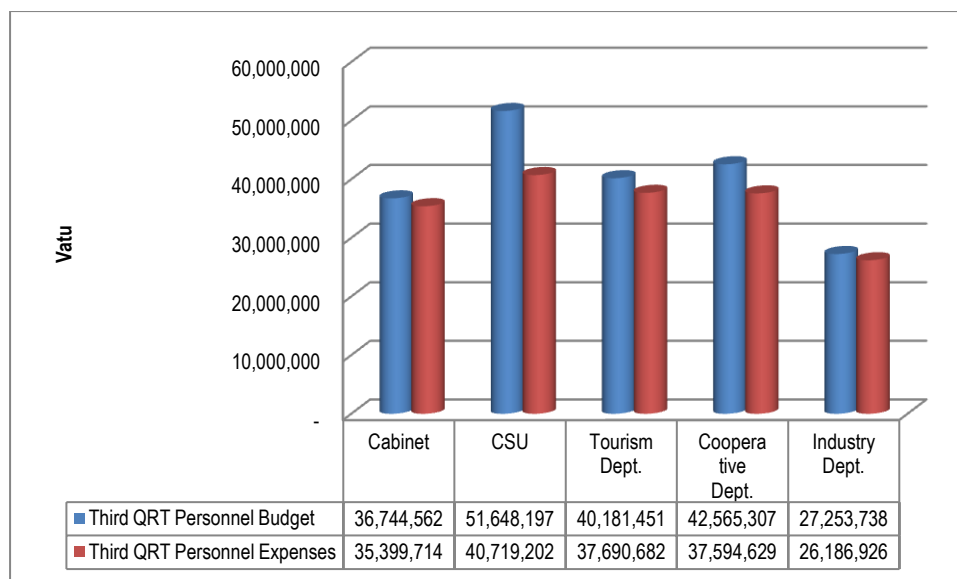
Source: Finance & Treasury

Ministry's unplanned expenses in the first nine months of this year totalled to over Vt13.3 million. And payroll account for more than VT8 million and major unplanned chart of accounts include responsibility allowances, leave expenses and overtime wages. One payroll chart of account was already overspent by third quarter namely acting allowance.

Operating unplanned expenses account for more than VT5.2 million and major charts of accounts include subsistence allowance, and vehicle additional. And the following operating charts of accounts were already overspent in the first nine months of this year: international accommodation, local accommodation, other fees, facilities hire, telephone/fax communication, office materials, office rent, uniforms, local travels, electricity utilities and equipment general. In order to avoid these situations in future the Ministry will need to divert more funds to these charts of accounts.

Figure 5 below indicates that all agencies under the Ministry spent within their allocated payroll budget for third quarter and at the current rate of spending it is likely that these Departments will spend within their personnel annual budget by end of the year.

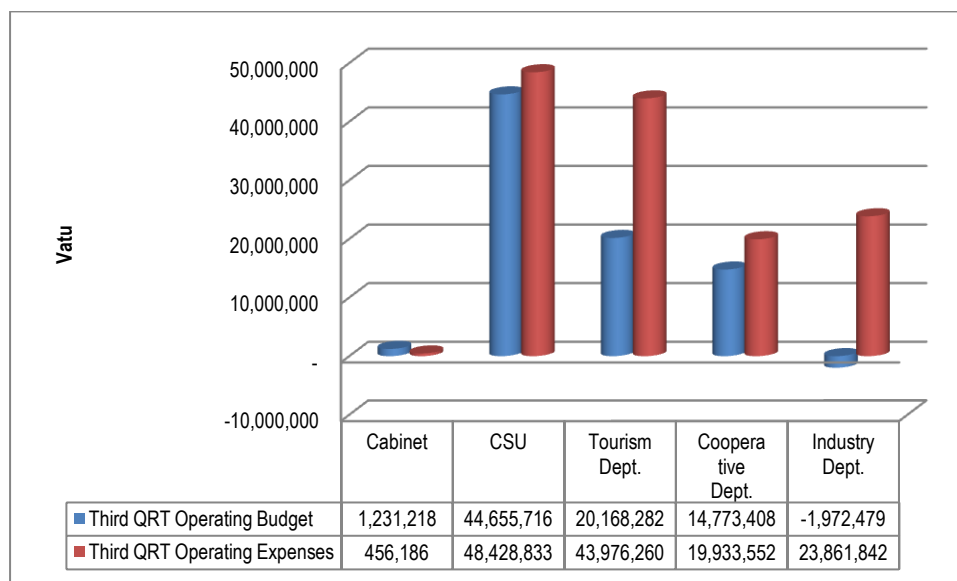
Figure 5: Third Quarter Personnel Budget versus Expenses by Departments 2018



Source: Finance & Treasury

On the other hand all departments over spent their operating budget in the last 9 months of this year 2018 except the Cabinet as shown in figure 6 below and at that current rate they are likely to overspend their operating budget before end of the year.

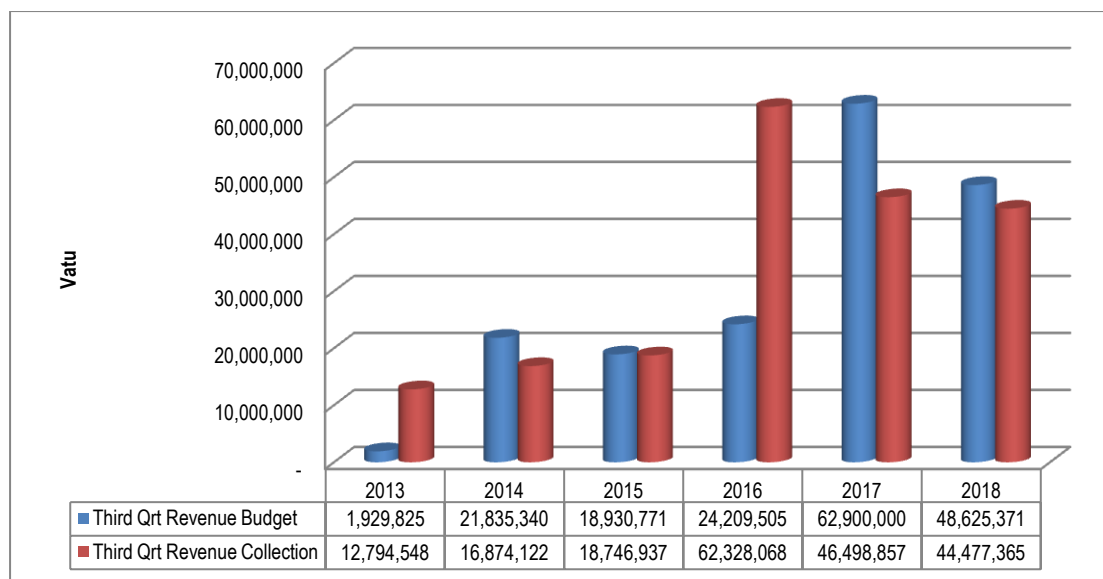
Figure 6: Third Quarter Operational Budget versus Expenses by Departments 2018



Source: Finance & Treasury

As shown in figure 7 below Ministry's third quarter revenue collection were lower than third quarter revenue budget except for 2013, 2015 and 2016. In 2018 third quarter revenue collection were 9.3 percent lower than what they promised to collect in third quarter of 2018.

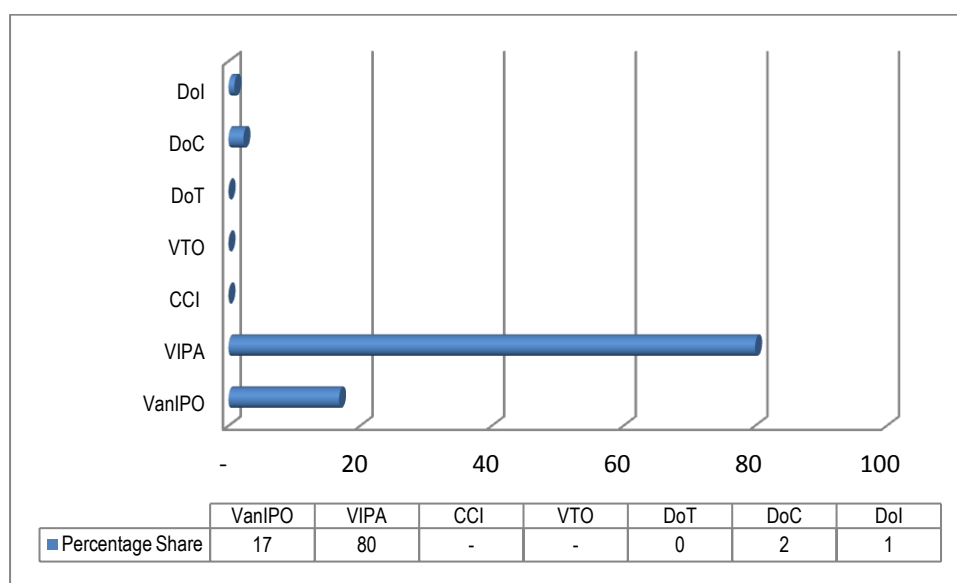
Figure 7: Third Quarter Revenue Budget versus Actual Collection 2013-2018



Source: Finance & Treasury

Figure 8 below indicates that VIPA a grant body was the main revenue agency for the Ministry, collecting 80 percent of actual revenue collection in the third quarter of 2018 followed by VanIPO.

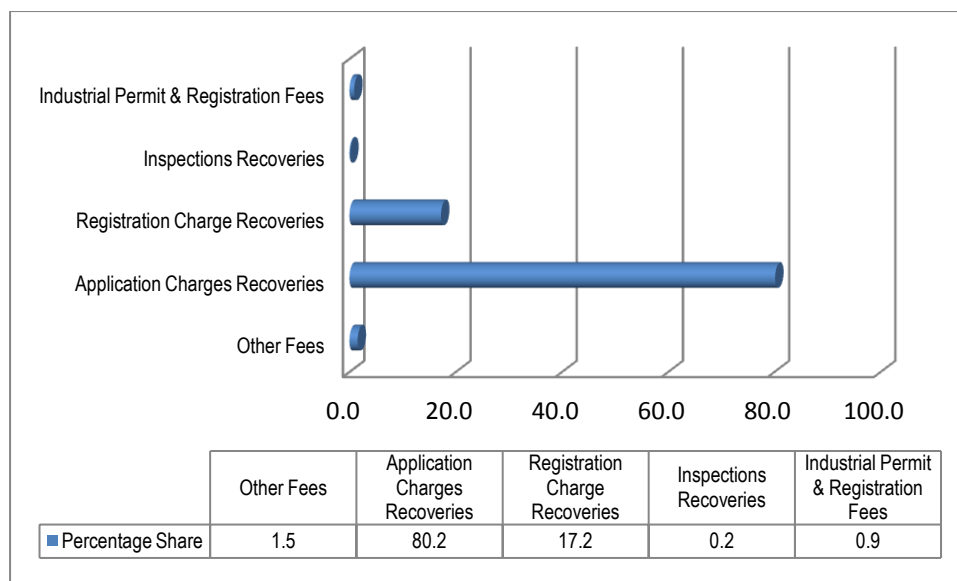
Figure 8: Third Quarter Share of Revenue Collection by Departments 2018



Source: Finance & Treasury

As indicated in figure 9 below, Application Charges was the major revenue item for Ministry, accounts for 80.2 percent of collection so far, followed by Registration Charges.

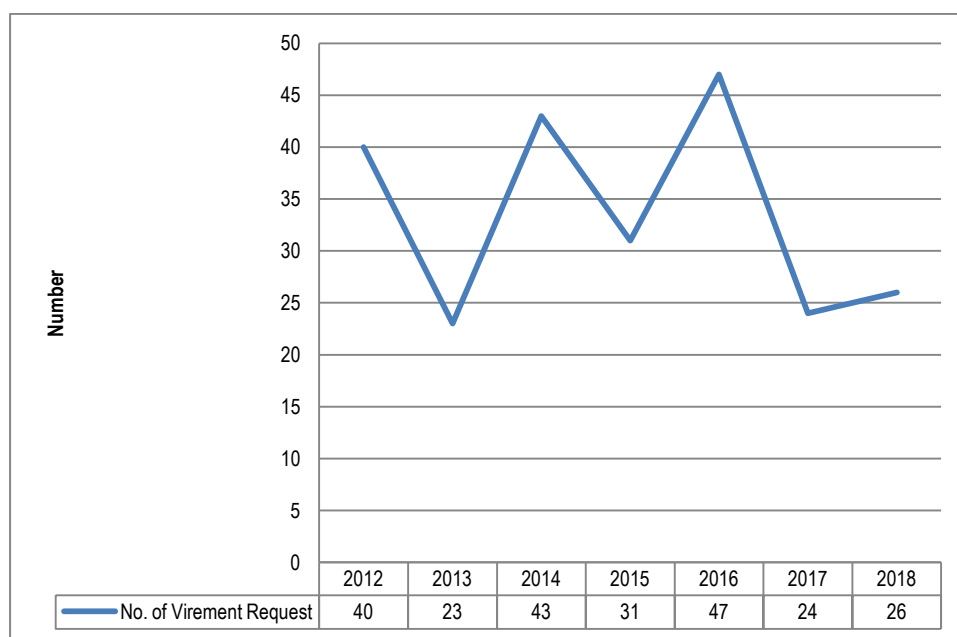
Figure 9: Third Quarter Main Revenue Items 2018



Source: Finance & Treasury

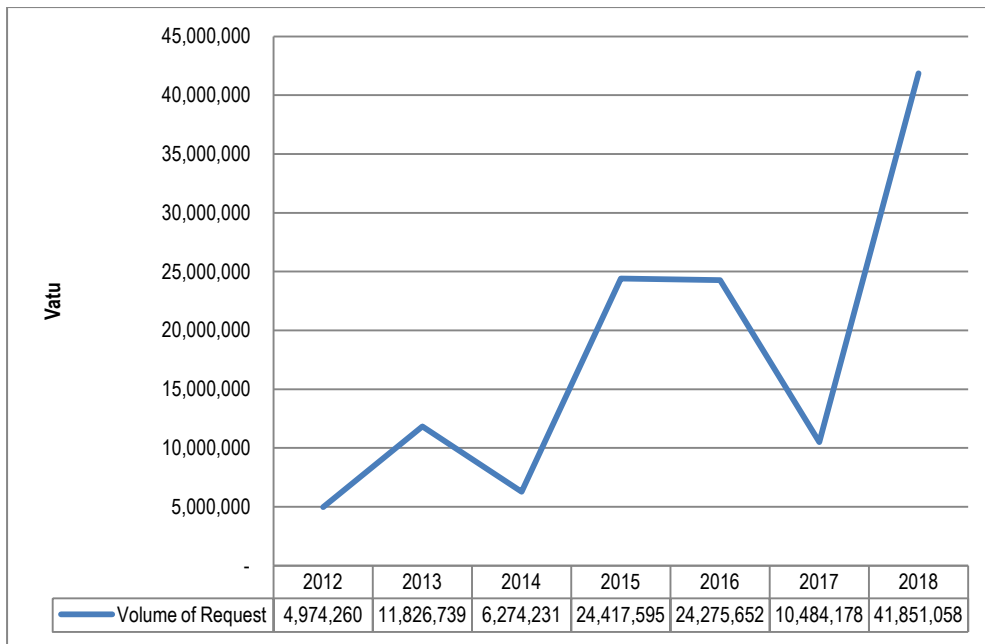
Figure 10 below doesn't really show a particular trend that can tell us that the Ministry budget preparation and submission is improving, a lower number of request of the years will signal that the budget submission is improving. The same can be said about the volume of requests as shown in figure 11 below but total value of virement increasing.

Figure 10: Third Quarter Approved Number of Virements Request 2013-2018



Source: Finance & Treasury

Figure 11: Third Quarter Approved Volume of Virements Request 2013-2018



Source: Finance & Treasury

TABLES

Table 1: Third Quarter Expenditure by Cost Centres

Cost Centre	Actual & Commitments	Budget to date	Under/(Over) Budget	Warrant Released	Warrant Remaining	Annual Budget	Annual Budget Remaining
M06 - Ministry of Tourism, Trade, Commerce	314,247,826	277,249,400	- 36,998,426	300,606,874	- 13,640,952	443,888,394	129,640,568
38 - Department of Cooperatives	57,528,181	57,338,715	- 189,466	63,331,582	5,803,401	82,619,049	25,090,868
38AA - Cooperative Policy & Administration	30,737,012	28,969,889	- 1,767,123	35,609,045	4,872,033	44,874,112	14,137,100
38AB - Education & Training Section	6,724,547	5,951,168	- 773,379	5,860,332	- 864,215	8,006,822	1,282,275
38AC - Shefa Provincial Coop Office	3,498,709	4,750,297	1,251,588	4,649,009	1,150,300	5,861,026	2,362,317
38AD - Malampa Provincial Coop Office	3,642,938	3,711,301	68,363	3,620,468	- 22,470	5,056,526	1,413,588
38AE - Tafea Provincial Coop Office	3,568,494	3,711,301	142,807	3,620,468	51,974	5,056,526	1,488,032
38AF - Torba Provincial Coop Office	3,731,704	2,822,156	- 909,548	2,731,323	- 1,000,381	3,650,981	- 80,723
38AG - Penama Provincial Coop Office	2,456,472	3,711,301	1,254,829	3,620,468	1,163,996	5,056,526	2,600,054
38AH - Sanma Provincial Coop Office	3,168,305	3,711,302	542,997	3,620,469	452,164	5,056,530	1,888,225
40 - Department of Tourism	81,666,942	60,349,733	- 21,317,209	70,642,094	- 11,024,848	106,906,217	25,239,275
40AA - Product Development Section	10,881,487	4,169,097	- 6,712,390	6,063,641	- 4,817,846	12,640,259	1,758,772
40AB - Policy & Administration	6,336,334	7,061,231	724,897	7,320,553	984,219	9,597,905	3,261,571
40AC - Tourism Investment Promotion & Facilitation	6,815,579	6,584,503	- 231,076	6,535,887	- 279,692	8,923,373	2,107,794
40AD - Shefa Provincial Tourism Office	3,973,325	3,762,297	- 211,028	3,843,048	- 130,277	5,083,581	1,110,256
40AE - Tafea Provincial Tourism Office	3,814,699	3,773,270	- 41,429	3,651,605	- 163,094	5,098,599	1,283,900
40AF - Malampa Provincial Tourism Office	3,982,252	3,793,742	- 188,510	3,675,080	- 307,172	5,126,614	1,144,362
40AG - Sanma Provincial Tourism Office	4,065,982	3,786,817	- 279,165	3,665,152	- 400,830	5,117,143	1,051,161
40AH - Penama Provincial Tourism Office	4,154,162	3,764,112	- 390,050	4,006,561	- 147,601	5,086,070	931,908
40AI - Torba Provincial Tourism Office	4,065,216	3,786,645	- 278,571	3,648,791	- 416,425	5,094,734	1,029,518
40AJ - Outer Islands Development	7,188,056	4,136,151	- 3,051,905	5,043,574	- 2,144,482	9,595,175	2,407,119
40AK - Tourism Accreditation & Classification	9,426,646	9,784,480	357,834	9,936,070	509,424	11,941,022	2,514,376
40AL - Port Vila Region	2,260,952	2,473,698	212,746	2,238,588	- 22,364	3,298,062	1,037,110
43 - Ministry of Commerce, Industry and Tourism	35,855,900	37,975,780	2,119,880	37,716,579	1,860,679	55,872,753	20,016,853
43AA - Cabinet Operations	35,855,900	37,975,780	2,119,880	37,716,579	1,860,679	55,872,753	20,016,853
80 - Corporate Service Unit	89,148,035	96,303,913	7,155,878	82,664,542	- 6,483,493	129,972,214	40,824,179
80AA - Executive Management	43,488,774	48,873,648	5,384,874	34,182,374	- 9,306,400	60,448,004	16,959,230
80AC - Product Development Section	5,105,151	4,894,345	- 210,806	4,594,353	- 510,798	6,498,462	1,393,311
80AD - Administration	10,411,336	8,948,583	- 1,462,753	10,633,460	222,124	14,269,562	3,858,226
80AE - Laboratory Section	4,343,454	3,449,484	- 893,970	4,051,721	- 291,733	5,520,599	1,177,145
97 - Department of Industry	50,048,768	25,281,259	- 24,767,509	46,252,077	- 3,796,691	68,518,161	18,469,393
97AA - Primary Industry Division	10,173,123	4,854,601	- 5,318,522	8,120,485	- 2,052,638	14,060,738	3,887,615
97AB - IDO Sanma	3,302,965	4,073,071	770,106	2,804,309	- 498,656	4,636,765	1,333,800
97AC - IDO Shefa	784,434	800,005	15,571	1,713,334	928,900	1,247,019	462,585
97AD - IDO Tafea	2,526,172	2,786,329	260,157	2,418,888	- 107,284	3,335,390	809,218
97AE - IDO Penama	1,486,336	1,550,498	64,162	1,624,309	137,973	2,074,192	587,856
97AF - IDO Malampa	2,672,947	3,021,733	348,786	2,683,884	10,937	3,507,901	834,954
97AH - Manufacturing Division	8,463,342	5,348,732	- 3,114,610	9,422,443	959,101	14,059,371	5,596,029

97AI - Policy & Admin Division	16,135,708	- 1,009,011	- 17,144,719	14,034,129	- 2,101,579	20,435,583	4,299,875
97AJ - Marketing & Promotion Division	4,503,741	3,855,301	- 648,440	3,430,296	- 1,073,445	5,161,202	657,461
Total Expenditure	314,247,826	277,249,400	36,998,426	300,606,874	13,640,952	443,888,394	129,640,568

Source: Finance & Treasury

Table 2: Third Quarter Expenditure by chart of accounts

Account	Description	Actual & Commitments	Budget to date	Under/ (Over)	Annual Budget	Remaining Budget
8100	Personnel Expenses	177,591,153	198,393,255	20,802,102	275,095,970	97,504,817
8AAA	Acting Allowances	3,886,434	986,538	-2,899,896	1,350,000	-2,536,434
8AAB	Responsibility Allowance	383,238	0	-383,238	0	-383,238
8AAF	Family Allowance	1,466,757	3,545,655	2,078,898	4,861,940	3,395,183
8AAG	Gratuitie Allowances	134,414	0	-134,414	4,907,195	4,772,781
8AAH	Housing Allowances	13,085,683	20,504,667	7,418,984	28,239,056	15,153,373
8AAO	Other Allowances	123,333	365,389	242,056	500,000	376,667
8AAP	Home Island Passage Allowances	250,185	1,177,507	927,322	1,641,330	1,391,145
8AAS	Special Allowances	102,500	0	-102,500	0	-102,500
8ASP	Provident Fund	6,461,795	5,672,501	-789,294	7,862,370	1,400,575
8AWC	Contract Wages	2,273,977	8,688,382	6,414,405	14,389,360	12,115,383
8AWL	Leave expense	6,173,150	0	-6,173,150	0	-6,173,150
8AWO	Overtime Wages	1,382,140	0	-1,382,140	0	-1,382,140
8AWP	Permanent Wages	141,867,547	128,226,728	13,640,819	206,851,539	64,983,992
PAYR	Payroll expenses	0	29,225,888	29,225,888	4,493,180	4,493,180
8200	Operating Expenses	136,656,673	78,856,145	57,800,528	168,792,424	32,135,751
8CAB	Subsistence Allowances	14,372,515	6,399,369	-7,973,146	15,174,948	802,433
8CAF	Food Allowances	10,435	0	-10,435	0	-10,435
8CAI	Subsistence Allowance International	1,605,000	0	-1,605,000	0	-1,605,000
8CAP	Repatriation Allowances	20,000	0	-20,000	0	-20,000
8CAR	M.P. Representation Allowances	-1,285,654	0	1,285,654	0	1,285,654
8CAS	Sitting Allowances	129,000	41,800	-87,200	505,000	376,000
8CAT	M.P. Touring Allowances	-344,512	0	344,512	0	344,512
8CBI	International Accommodation	1,985,620	836,000	-1,149,620	1,100,000	-885,620
8CBL	Local Accommodation	4,096,564	848,250	-3,248,314	2,340,000	-1,756,564
8CCI	International Courses	137,159	114,000	-23,159	150,000	12,841
8CCL	Local Courses	65,000	0	-65,000	6,200,000	6,135,000
8CEC	Consultants Fees	1,360,870	742,600	-618,270	2,490,000	1,129,130
8CEM	Software Maintenance Fees	0	36,480	36,480	48,000	48,000
8CEP	Penalty Fees	0	0	0	0	0
8CES	Security Services	242,169	193,871	-48,298	257,722	15,553
8CET	Other Fees	10,553,437	266,175	10,287,262	385,000	-10,168,437
8CFS	Ship and Boat Fuel	12,000	0	-12,000	0	-12,000
8CFV	Vehicles Fuel	3,500,877	2,697,911	-802,966	3,852,403	351,526
8CGM	Mail Carriage Freight	73,130	1,450	-71,680	2,000	-71,130
8CGO	Other Charges - Freight	60,000	0	-60,000	0	-60,000
8CGR	Transport - Freight	706,625	230,525	-476,100	436,000	-270,625
8CGS	Storage - Freight	46,583	228,000	181,417	300,000	253,417
8CIB	Boat Hire	0	61,600	61,600	80,000	80,000
8CIE	Equipment Hire	167,467	103,525	-63,942	175,000	7,533

8CIF	Facilities Hire	2,961,567	850,190	-2,111,377	1,236,724	-1,724,843
8CIV	Vehicles Hire	637,289	83,700	-553,589	500,000	-137,289
8CJO	Office Cleaning	530,641	622,817	92,176	858,149	327,508
8CKD	Advertising - Communications	944,313	458,678	-485,635	1,064,403	120,090
8CKI	Internet and Satellite Communications	6,349	0	-6,349	0	-6,349
8CKL	Translation Communications	8,520	0	-8,520	0	-8,520
8CKM	Advertising and Marketing	262,573	114,000	-148,573	1,150,000	887,427
8CKP	Postage - Communications	75,847	324,778	248,931	432,507	356,660
8CKR	Printing - Communications	1,580,879	1,474,910	-105,969	3,784,005	2,203,126
8CKS	Stationery - Communications	3,795,960	2,196,239	-1,599,721	3,336,209	-459,751
8CKT	Telephone / Fax - Communications	4,649,939	1,616,109	-3,033,830	2,563,209	-2,086,730
8CMC	Curriculum - Materials	0	0	0	1,000,000	1,000,000
8CMG	General - Materials	299,958	163,400	-136,558	4,215,000	3,915,042
8CMO	Office - Materials	4,101,772	835,688	-3,266,084	1,366,783	-2,734,989
8CNO	Office Rental	2,418,750	232,600	-2,186,150	1,316,000	-1,102,750
8COA	Audit Fees	0	0	0	1,500,000	1,500,000
8COE	Terminal Payments	325,484	0	-325,484	0	-325,484
8COF	Refunds	55,500	0	-55,500	0	-55,500
8COI	Incidentals	9,070,166	3,813,661	-5,256,505	20,463,246	11,393,080
8COP	Official Entertainment	6,627,982	3,135,456	-3,492,526	7,078,806	450,824
8COT	Termination Payment	1,866,022	0	-1,866,022	0	-1,866,022
8COU	Uniforms	1,757,687	38,000	-1,719,687	50,000	-1,707,687
8CRB	Buildings Repairs & Maintenance	885,992	613,520	-272,472	807,267	-78,725
8CRE	Equipment Repairs & Maintenance	737,054	869,512	132,458	1,177,611	440,557
8CRH	Houses Repairs & Maintenance	58,047	0	-58,047	0	-58,047
8CRR	Roads Repairs & Maintenance	195,652	0	-195,652	0	-195,652
8CRV	Vehicles Repairs & Maintenance	1,618,996	1,370,862	-248,134	1,840,820	221,824
8CRW	Vehicle Servicing	73,856	76,000	2,144	100,000	26,144
8CSF	Food - Suppliers	20,000	0	-20,000	0	-20,000
8CSO	Other Suppliers	65,219	0	-65,219	0	-65,219
8CTI	International Travel	4,371,302	3,553,512	-817,790	5,084,556	713,254
8CTL	Local Travel	19,835,862	9,427,787	10,408,075	17,235,219	-2,600,643
8CUC	Gas - Cooking Utilities	0	11,400	11,400	15,000	15,000
8CUE	Electricity Utilities	6,667,683	3,599,111	-3,068,572	5,790,726	-876,957
8CUL	Lighting Utilities	0	775,200	775,200	1,020,000	1,020,000
8CUW	Water Utilities	59,365	337,040	277,675	1,493,843	1,434,478
8CVF	Shelter/Temporary Housing	2,667	0	-2,667	0	-2,667
8CWL	Local Workshops	2,767,219	1,160,595	-1,606,624	4,729,465	1,962,246
8CZV	Value Added Tax	10,350,612	5,980,397	-4,370,215	10,183,547	-167,065
8DGT	Other Grant	100,000	0	-100,000	0	-100,000
8DRU	Unelco Rebates	0	30,400	30,400	40,000	40,000
8EBR	Buildings - Renovation	1,210,210	667,594	-542,616	896,789	-313,421
8EEA	Equipment - Additional General	4,262,868	955,539	-3,307,329	2,868,147	-1,394,721
8EEC	Equipment - Computer	1,448,220	1,866,362	418,142	3,665,213	2,216,993

8EEP	Equipment - Photocopiers	0	114,000	114,000	180,000	180,000
8EER	Equipment - Replacement General	424,190	152,000	-272,190	200,000	-224,190
8EES	Equipment - Specialised	3,300	0	-3,300	0	-3,300
8EET	Equipment - Computer Software Purchases	9,905	0	-9,905	0	-9,905
8EFO	Furniture - Office Furniture	1,109,499	1,163,097	53,598	2,569,197	1,459,698
8EIR	Infrastructure - Roads & Bridges	0	0	0	3,000,000	3,000,000
8EVA	Vehicle - Additional Vehicle	869,566	0	-869,566	0	-869,566
8EVR	Vehicle - Replacement	0	1,592,144	1,592,144	2,094,930	2,094,930
8FCB	Bank Charges	17,906	7,600	-10,306	10,000	-7,906
OVER	Overhead expenses	0	15,770,691	15,770,691	18,378,980	18,378,980
	Total Expenditure	314,247,826	277,249,400	36,998,426	443,888,394	129,640,568

Source: Finance & Treasury

Table 3: Third Quarter Revenue Budget & Collection

Account	Description	Actual	Commitments	Total	Budget to date	Under/ (Over)	Actual Receipts	Annual Budget
7100	Operating Revenue	43,981,963	0	43,981,963	48,625,371	4,643,408	44,477,365	64,834,065
7NFO	Other Fees	740,216	0	740,216	4,892,058	4,151,842	685,194	6,522,770
7NOA	Application Charges Recoveries	35,656,997	0	35,656,997	42,257,277	6,600,280	35,656,997	56,343,249
7NOG	Registration Charge Recoveries	7,119,774	0	7,119,774	1,222,992	5,896,782	7,670,198	1,630,658
7NOI	Inspections Recoveries	67,500	0	67,500	253,044	185,544	67,500	337,388
7TLI	Industrial Permit & Registration Fees	397,476	0	397,476	0	-397,476	397,476	0

Source: Finance & Treasury